



# UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
[www.uspto.gov](http://www.uspto.gov)

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/677,401	09/29/2000	K. Jon Kern	014-040001US	3108
33486	7590	11/24/2009	EXAMINER	
HEIMBECHER & ASSOC., LLC			NGUYEN, TAN D	
P O BOX 33			ART UNIT	PAPER NUMBER
HAMEL, MN 55340-0033			3689	
			MAIL DATE	DELIVERY MODE
			11/24/2009	PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES

---

*Ex parte* K. JON KERN,  
JOSEPH BIRD, and  
BROOKE HARTMAN

---

Appeal 2009-011247  
Application 09/677,401  
Technology Center 3600

---

Decided: November 24, 2009

---

Before HUBERT C. LORIN, ANTON W. FETTING, and  
BIBHU R. MOHANTY, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

## STATEMENT OF THE CASE

K. Jon Kern, et al. (Appellants) seek our review under 35 U.S.C. § 134 of the final rejection of claims 8-28, 30, and 32-91. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

## SUMMARY OF DECISION

We AFFIRM.<sup>1</sup>

## THE INVENTION

The invention relates to methods for “reducing the balance of a loan obligation using a loyalty reward program.” Specification 1:10-11.

Claim 71, reproduced below, is illustrative of the subject matter on appeal.

71. A method of facilitating repayment of a loan obligation, said method comprising the steps of
  - (A) a first party establishing a site on a global computer network;
  - (B) recognizing at least certain second-party users of said site;
  - (C) directing said recognized second-party users to predetermined third-party merchants;
  - (D) enabling accumulation of loyalty points based upon purchases from said predetermined third-party merchants;
  - (E) monitoring said purchases by said recognized second-party users from said predetermined third-party merchants;
  - (F) tracking said accumulated loyalty points; and

---

<sup>1</sup> Our decision will make reference to the Appellants’ Appeal Brief (“App. Br.”, filed Apr. 5, 2007) and Reply Brief (“Reply Br.”, filed Feb. 9, 2009), and the Examiner’s Answer (“Answer,” mailed Dec. 9, 2008).

(G) said first party permitting selective repayment of the loan obligation based upon discretionary redemption of said accumulated loyalty points.

#### THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Feidelson	US 6,345,261 B1	Feb. 5, 2002
Shurling	US 6,009,415	Dec. 28, 1999
Wong	US 6,119,933	Sep. 19, 2000

*The GM Card Revs Its Engine in the United Kingdom*, Credit Card News, Nov. 1, 1993. ("GM Card")

Bagot, B., *Lux in Flux*, Marketing & Media Decisions, v25, n5, May 1990, p. 87. ("Lux in Flux")

*All Nippon Offering Special Awards To Frequent Flyers*, Aviation Daily, Vol. 312, no. 11, April 15, 1993, p. 86. ("All Nippon")

The following rejections are before us for review:

1. Claims 8-28, 30, 32-91 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

2. Claims 8-28, 36-54, and 71-89 are rejected under 35 U.S.C. §103(a) as being unpatentable over Feidelson and Shurling (*see* Answer 5) or over Feidelson, “GM Card,” and “Lux in Flux” (*see* Answer 16).<sup>2</sup>
3. Claims 30, 32-35, and 90 are rejected under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and “All Nippon” (*see* Answer 13) or over Feidelson, “GM Card,” “Lux in Flux,” and “All Nippon” (*see* Answer 20).
4. Claims 55-62 are rejected under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and Wong (*see* Answer 14) or over Feidelson, “GM Card,” “Lux in Flux” and Wong (*see* Answer 21).
5. Claims 63-70 and 91 are rejected under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, Wong, and “All Nippon” (*see* Answer 15) or over Feidelson, “GM Card,” “Lux in Flux,” Wong, and “All Nippon” (*see* Answer 22).

## ISSUES

The first issue of whether the Appellants have sustained their burden of showing that the Examiner erred in rejecting claims 8-28, 30, 32-91 under

---

<sup>2</sup> We agree with the Appellants (App. Br. 15) that the original statement of this rejection included claims 30 and 32-35 but these claims were rejected over Feidelson, Shurling, and “All Nippon” (*see* Answer 13) and over Feidelson, “GM Card,” “Lux in Flux,” and “All Nippon” (*see* Answer 20). Given that the Answer does not address these claims under this statement of the rejection but rather addresses them by relying on the “All Nippon” reference, we correct the inadvertent discrepancy and treat these claims under the rejection involving “All Nippon”.

35 U.S.C. § 101 as directed to non-statutory subject matter turns on whether the claims cover non-statutory subject matter, and specifically whether the process claimed is tied to a particular apparatus.

The second issue is whether the Appellants have shown that the Examiner erred in rejecting claims 8-28, 36-54, and 71-89 under 35 U.S.C. §103(a) as being unpatentable over Feidelson and Shurling or over Feidelson, “GM Card,” and “Lux in Flux;” claims 30, 32-35, and 90 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and “All Nippon” or over Feidelson, “GM Card,” “Lux in Flux,” and “All Nippon”; claims 55-62 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and Wong or over Feidelson, “GM Card,” “Lux in Flux” and Wong; and, claims 63-70 and 91 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, Wong, and “All Nippon” or over Feidelson, “GM Card,” “Lux in Flux,” Wong, and “All Nippon”.

## FINDINGS OF FACT

We rely on the Examiner’s factual findings stated in the Answer (Ans. 5-22) and Final Office Action (2-19).

## PRINCIPLES OF LAW

### *Claim Construction*

During examination of a patent application, a pending claim is given the broadest reasonable construction consistent with the specification and should be read in light of the specification as it would be interpreted by one of ordinary skill in the art. *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1369 (Fed. Cir. 2004).

[W]e look to the specification to see if it provides a definition for claim terms, but otherwise apply a broad interpretation. As this court has discussed, this methodology produces claims with only justifiable breadth. *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed.Cir.1984). Further, as applicants may amend claims to narrow their scope, a broad construction during prosecution creates no unfairness to the applicant or patentee. *Am. Acad.*, 367 F.3d at 1364.

*In re ICON Health and Fitness, Inc.*, 496 F.3d 1374, 1379 (Fed. Cir. 2007).

Limitations appearing in the specification but not recited in the claim are not read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1369 (Fed. Cir. 2003).

#### *§ 101 - Patentable Subject Matter - Process*

[T]he proper inquiry under § 101 is not whether the process claim recites sufficient “physical steps,” but rather whether the claim meets the machine-or-transformation test. [fn]25 As a result, even a claim that recites “physical steps” but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter. Conversely, a claim that purportedly lacks any “physical steps” but is still tied to a machine or achieves an eligible transformation passes muster under § 101.

*In re Bilski*, 545 F.3d 943, 961 (Fed. Cir. 2008) (en banc).

#### *Obviousness*

Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’

*KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 (“While the sequence of these questions might be reordered in any particular case, the [Graham] factors continue to define the inquiry that controls.”) The Court in *Graham* further noted that evidence of secondary considerations “might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” *Graham*, 383 U.S. at 17-18.

## ANALYSIS

*The rejection of claims 8-28, 30, 32-91 under 35 U.S.C. § 101 as being directed to non-statutory subject matter.*

The Appellants argued claims 8-28, 30, 32-91 as a group (Reply Br. 2-4). We select claim 71 (*see supra*) as the representative claim for this group, and the remaining claims 8-28, 30, 32-70, and 72-91 stand or fall with claim 71. 37 C.F.R. § 41.37(c)(1)(vii) (2007).

According to the Examiner, the claims are directed to nonstatutory subject matter because the process claimed is neither (1) tied to another statutory class of invention nor (2) transforms underlying subject matter to a different state of thing. Answer 4. The Appellants disagree, arguing that the claimed process is tied to a “global computer network,” which the Appellants appear to construe as being a machine - which is one of the statutory classes of subject matter. Reply Br. 3-4.

The test the Examiner articulates generally follows the *Bilski* machine-or-transformation test (*see supra*) for determining whether a claimed process is statutory under § 101. While the Answer does not present a full claim construction analysis showing why the claims have been determined to fail the test the Examiner articulates (*see State St. Bank & Trust Co. v. Signature Fin. Group*, 149 F.3d 1368, 1370 (Fed. Cir. 1998) (“[W]hether the ... patent is invalid for failure to claim statutory subject matter under § 101[ ] is a matter of both claim construction and statutory construction.”)), the Examiner does state that “[h]ere claims 8-28, 30, 32-91 fail to meet the above requirements since there is not a sufficient tie to another statutory class” (Answer 4). The Examiner apparently determined that what the claims recited as nominally tying the method to another statutory class of invention was, in the Examiner’s view, insufficient to meet the test for patentable subject matter. In the context of the current state of the law (*i.e.*, *Bilski*), we interpret the Examiner as having determined that the “global computer network” recited in the claims as nominally tying the method to a particular machine is insufficient to meet the *Bilski* test for patentable subject matter. We agree with that determination.

Since the claimed method cannot be said to transform an article (of manufacture) into a different state or thing, the claimed process fails to satisfy the transformation prong of the *Bilski* machine-or transformation test. *See supra.*

The only issue is whether the claimed method satisfies the machine prong of the *Bilski* test. To satisfy that prong, the claimed process must be “tied to a particular machine.” *Bilski*, 545 F.3d at 954. Furthermore, the particular machine must impose meaningful limits on the claim’s scope.

“Certain considerations are applicable to analysis under either branch. First, as illustrated by *Benson* and discussed below, the use of a specific machine or transformation of an article must impose meaningful limits on the claim’s scope to impart patent-eligibility. *See Benson*, 409 U.S. at 71-72.” *Bilski*, 545 F.3d at 961-962 .

Whether the recited “global computer network” is a particular machine for satisfying the machine prong of the *Bilski* test need not be explored because, irrespective of whether it *is* a particular machine, we find that the “global computer network” as recited in the claim does not impose meaningful limits on the claim’s scope.

The Appellants argue that the claim “requires that the method be carried out via a global computer network.” Reply Br. 3. That is not an accurate characterization of the scope of the claim. The preamble of the claim makes no mention of a global computer network. Rather, the method is directed to “facilitating repayment of a loan obligation.” The claimed method comprises seven steps, but only one step calls for the use of a global computer network. Contrary to the Appellants’ argument, the method as claimed does *not* require a global computer network to perform the claimed method as a whole. A global computer network is required only as it relates to performing the first step: “a first party establishing a site on a global computer network.” The other steps are worded in such a way that they can be reasonably broadly construed to encompass performing them via human interaction alone. Further, the claim does not connect the global computer network used in the first step for establishing a site to any of the other steps. The site that is established via the global computer network in the first step plays no role in the rest of the claimed method. According to the claim, a

site is established and, according to the second step, at least certain second-party users of the site are recognized. But the site is not required to perform the remaining steps. It is the remaining steps which “facilitat[e] repayment of a loan obligation.” These remaining steps involve accumulating loyalty points and permitting their redemption toward selective repayment of the loan obligation. However, as claimed, these remaining steps do not need the site. They can be performed independently without having to resort to the site or the global computer network on which the site is established.

Because of the claimed method is directed to “facilitating repayment of a loan obligation” comprising steps that are reasonably broadly construed to involve a global computer network only when establishing a site but otherwise facilitates repayment of the loan obligation via human interaction alone without resort having to resort to the site or the global computer network, we find that the “global computer network” recited in the claim does not impose meaningful limits on the claim’s scope. Accordingly, notwithstanding that a “global computer network” may be a particular “machine” as that term is legally defined for purposes of determining patentable subject matter under §101 and that the claimed method may, arguably, be nominally tied to the “global computer network” in order to establish a site, the “global computer network” does not impose a meaningful limits on the claims’ scope. Because the “global computer network” does not impose a meaningful limit on the claim’s scope, we find that the claimed subject matter is not directed to a process that is statutory under § 101.

For the foregoing reasons, we find the Appellants' arguments unpersuasive as to error in the rejection of claims 8-28, 30, 32-91 under § 101 as being directed to nonstatutory subject matter.

*The rejections of claims 8-28, 36-54, and 71-89 under 35 U.S.C. §103(a) as being unpatentable over Feidelson and Shurling or over Feidelson, "GM Card", and "Lux in Flux".*

The Appellants argued claims 8-28, 36-54, and 71-89 as a group (App. Br. 14-33). We select claim 71 (*see supra*) as the representative claim for this group, and the remaining claims 8-28, 36-54, and 72-89 stand or fall with claim 71. 37 C.F.R. § 41.37(c)(1)(vii) (2007).

We do not find the Appellants arguments show error in the Examiner's rejections.

The briefs are replete with arguments that are not commensurate in scope with what is claimed. *Cf. In re Self*, 671 F.2d 1344, 1348 (CCPA 1982) ("Many of appellant's arguments fail from the outset because, . . . they are not based on limitations appearing in the claims . . . .") For example, the Appellants argue that the "claimed invention deals with the problems associated with repaying loans." App. Br. 18. Then the Appellants discuss a simplified example of the claimed invention whereby a lender will pay down a balance of a debtor based on the debtor's purchases with third-party merchants. App. Br. 19. The Appellants provide diagrams showing relationships between a consumer (second-party), a loan servicer (first-party), and merchants (third-party) purported to represent what is claimed. *See* App. Br. 20-21. The Appellants also make various statements about how the loan is repaid. *See e.g.*, App. Br. 23-24: "[i]n the Applicant's claimed invention, the lender gets the entire loan repaid - the claimed

invention merely provides an alternative means for repayment - the payment money coming from merchant rebates rather than from the borrowers cash reserves.”

Claim 71 recites seven steps. The first step calls for a first party to establish a site on a global computer network. Nowhere in the claim is the first party defined. There is no requirement that the first party be a lender as the Appellants argue. The second step requires “at least certain” second-party users of the site to be recognized. But the claim nowhere states who/what is doing the “recognizing” or how. One can presume the “at least certain” second-party users of the site are different from the first part that established the site but a plain reading of the claim makes even that uncertain. But it is clear that the claimed does not require the first party and the second party to know each other. Contrary to the Appellants arguments, there is no limitation in the claim that requires there to be a relationship, such as a lender/debtor relationship, between the first and second parties. Other than the second party uses the site the first party established, the claimed method does not otherwise associate the first and second parties to each other. The third step requires directing the second party to predetermined third-party merchants. Again, the claim does not place any limits as to who directs the second party to predetermined third-party merchants. The Appellants suggest that it is the first party who does the directing but the claimed method is not so limited. The claimed method covers the second party itself doing the directing, independent of any other party. The fourth step calls for enabling accumulation of loyalty points based on purchases from the predetermined third-party merchants. Who “enables” the accumulation is unstated. Likewise, the claim does not specify

who monitors the second party purchases (the fifth step) or who tracks the accumulated loyalty points (the sixth step). Accordingly, these steps cover the actions of institutions that create and send billing statements that list purchases and corresponding loyalty point earnings. In fact, the claimed method does not even require the second party to be enabled to accumulate any loyalty points based on its purchases from third-party merchants.

Nowhere in the claimed method is there any requirement that the second party be enabled to accumulate loyalty points. All that the claim requires is that the second party be enabled to make purchases from the predetermined third-party merchants. According to the claim, those purchases are monitored but the claim does not limit the method such that second party is enabled to accumulate any loyalty points based on those purchases. Finally, in step seven, the “first party permit[s] selective repayment of the loan obligation based upon discretionary redemption of said accumulated loyalty points.” Whose loan the first party is permitting to be repaid is not mentioned. The Appellants argue from the perspective that it is the second party who repays the loan. But the claim is not so limited. The claim is broadly worded to allow the first party to permit repayment of anyone’s loan, and not necessarily that of the second party.

Also, the Appellants argue that the claimed method allows for accumulated points to be used to repay the loan. This is the Appellants’ central argument in challenging the prior art combination would lead one of ordinary skill in the art to the claimed invention. *See e.g.*, App. Br. 21 (“The Shurling patent not only fails to disclose or suggest a system for paying down the balance of a loan with the disclosed incentive rewards, but Shurling also fails to disclose or suggest a system for paying down the

balance of a loan with loyalty points earned from a third-party merchant.”) But a careful reading of the claim reveals that the claimed method is not limited to the extent the Appellants are arguing. Exercising the last step of the claimed method does not necessarily lead to a loan being repaid “with loyalty points.” What the claim expressly states is that the “selective repayment of the loan obligation [is] *based upon* discretionary redemption of said accumulated loyalty points.” The connection between the selective repayment of the loan and the discretionary redemption of the accumulated loyalty points is not necessarily a direct one. The claim broadly encompasses a situation where the first party would still require money to repay a loan but would permit a loanee to redeem accumulated loyalty points to obtain the necessary funds independently and by any means. Note that the claim does not specify at whose discretion the accumulated loyalty points are redeemed.

For the foregoing reasons, the Appellants arguments are not commensurate in scope with what is claimed and are therefore not persuasive as to error in the rejection.

Furthermore, given the construction of the claims (*see* above), we find that the Examiner has made out a *prima facie* case of obviousness. There is no dispute that Feidelson discloses known programs by which loyalty points can be earned via purchases from merchants. *See* Feidelson, “Background of the Invention”. Feidelson provides an example of one such known program whereby money is credited to a customer’s investment account. Col. 1, ll. 31-43. There also can be no dispute that loans can be repaid with money. Combining these activities so that a loan can be repaid with money based on loyalty points as claim 71 reasonably broadly covers would have

been obvious to one of ordinary skill in the art having Feidelson in hand and having the common knowledge those of ordinary skill in the art would have had at the time of the invention. Earning loyalty points and repaying a loan are predictable results of combining these known activities.

Neither the enactment of § 103 nor the analysis in *Graham* disturbed this Court's earlier instructions concerning the need for caution in granting a patent based on the combination of elements found in the prior art. For over a half century, the Court has held that a "patent for a combination which only unites old elements with no change in their respective functions ... obviously withdraws what is already known into the field of its monopoly and diminishes the resources available to skillful men." *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 152, 71 S.Ct. 127, 95 L.Ed. 162 (1950). This is a principal reason for declining to allow patents for what is obvious. The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.

*KSR, U.S.* at 415-416. In that regard, the Appellants have not come forward with evidence of secondary considerations sufficient to overcome the *prima facie* case of obviousness.

*The rejections of claims 30, 32-35, and 90 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and "All Nippon" or over Feidelson, "GM Card", "Lux in Flux," and "All Nippon".*

These claims include a step permitting the transfer of accumulated points from one party to another. The Examiner relied on "All Nippon" to show this limitation. Answer 13. However, "All Nippon" shows transferring the product of the redemption of accumulated points - i.e., a free flight ticket - and not the loyalty points themselves as claimed. Accordingly,

the Examiner has not made out a *prima facie* case of obviousness for the subject matter of claims 30, 32-35, and 90 over the cited prior art.

*The rejections of claims 55-62 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and Wong or over Feidelson, "GM Card", "Lux in Flux" and Wong.*

These claims require categorizing the accumulated loyalty points between earned and pending status and displaying their sum. The Examiner relied on col. 5, ll. 45-60 of Wong to show this limitation. Answer 14. However, the passage relied upon in Wong refers to an award program, not loyalty points. Accordingly, the Examiner has not made out a *prima facie* case of obviousness for the subject matter of claims 55-62 over the cited prior art.

*The rejections of claims 63-70 and 91 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, Wong, and "All Nippon" or over Feidelson, "GM Card", "Lux in Flux," Wong, and "All Nippon".*

These claims include a step permitting the transfer of accumulated points from one party to another. The Examiner relied on "All Nippon" to show this limitation. Answer 15. However, "All Nippon" shows transferring the product of the redemption of accumulated points - i.e., a free flight ticket - and not the loyalty points themselves as claimed. Accordingly, the Examiner has not made out a *prima facie* case of obviousness for the subject matter of claims 63-70 and 91 over the cited prior art.

## CONCLUSIONS

We conclude that the Appellants have not shown that the Examiner erred in rejecting claims 8-28, 30, 32-91 under 35 U.S.C. § 101 as being directed to non-statutory subject matter and claims 8-28, 36-54, and 71-89 under 35 U.S.C. §103(a) as being unpatentable over Feidelson and Shurling or over Feidelson, “GM Card,” and “Lux in Flux.”

We conclude that the Appellants have shown that the Examiner erred in rejecting claims 30, 32-35, and 90 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and “All Nippon” or over Feidelson, “GM Card,” “Lux in Flux,” and “All Nippon”; claims 55-62 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, and Wong or over Feidelson, “GM Card,” “Lux in Flux” and Wong; and, claims 63-70 and 91 under 35 U.S.C. §103(a) as being unpatentable over Feidelson, Shurling, Wong, and “All Nippon” or over Feidelson, “GM Card,” “Lux in Flux,” Wong, and “All Nippon”.

## DECISION

The decision of the Examiner to reject claims 8-28, 30, and 32-91 is affirmed.

AFFIRMED

Appeal 2009-011247  
Application 09/677,401

mev

HEIMBECHER & ASSOC., LLC  
P O BOX 33  
HAMEL MN 55340-0033